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TAGS: [EINV](#) [ETRD](#) [EFIN](#) [ECON](#) [USTR](#) [SF](#)  
SUBJECT: BEE Codes of Good Practice To Be Simplified

REF: A) PRETORIA 2860 B) PRETORIA 2781

Classified by Charge' d'Affaires; Reason: 1.5 (b/d).

[¶1.](#) (C) Summary. The Department (DTI) will simplify the draft BEE Codes of Good Practice before they are submitted to Cabinet. The Trade and Industry Minister told business representatives that skills development was the top priority. There would be flexibility in areas such as equity equivalents and supply requirements. U.S. company officials are hopeful that revisions to the codes will address their key concerns. End Summary.

[¶2.](#) (U) Following 180 written submissions and a meeting with business representatives, Minister of Trade and Industry Mandisi Mpahlwa stated on July 11 that his department (DTI) would simplify its final Black Economic Empowerment (BEE) Codes of Good Practice before their planned presentation to Cabinet. In particular, Mpahlwa declared that DTI will reduce the number and complexity of constituent BEE indicators, drop many restrictive measures for small- to medium-sized businesses, not require foreign firms to sell equity if they meet other benchmarks, and craft regulations to avoid exacerbating the economy's skill shortage.

[¶3.](#) (C) According to an Amcham (American Chamber of Commerce in South Africa) official who attended the Minister's meeting with business representatives, Mpahlwa said that skills development was the SAG's top priority in the codes. Mpahlwa added that he was committed to flexibility in the codes, particularly on equity equivalent and procurement requirements. On the former, he noted that South African firms argue that they will be disadvantaged if foreign multinationals receive more favorable treatment than local firms on this requirements. The Minister reportedly said that he did not accept this argument. Mpahlwa also acknowledged that the codes were complex and said that the number of criteria in the codes would be reduced. DTI and Business Unity South Africa, an association of business organizations, will do empirical analysis of the codes costs and benefits.

[¶4.](#) (C) The Amcham official noted that DTI had agreed to establish accreditation criteria for BEE empowerment rating agencies, provide guidelines for rating agencies' fee structure and develop criteria to authorize major accounting firms to certify BEE ratings. The latter is a high priority for U.S. firms due to the confidentiality of information involved.

[¶5.](#) (C) The Minister told business representatives that the revised Codes of Good Practice would go to cabinet by the end of July and that he expected approval in mid-August. According to the Amcham official, the Minister said the revised codes would not be released publicly before going to cabinet.

[¶6.](#) (C) Ford South Africa officials (please protect) are guardedly optimistic that the revisions will address many of their concerns.

DTI officials told Ford in a July 18 meeting that equity equivalent requirement would be relaxed and that procurement requirements would be modified to recognize the global supply chain operations of multinationals. According to Ford, DTI officials also said the percentage figure for corporate social responsibility spending would be reduced by one-half.

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